

BOARD MEETING DATE: December 2, 2022

AGENDA NO. 20

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a meeting remotely on Friday, November 18, 2022. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Michael A. Cacciotti, Chair
Investment Oversight Committee

SJ:gp

Committee Members

Present: Mayor Michael Cacciotti, Chair
Senator Vanessa Delgado (Ret.), Vice Chair
Board Member Veronica Padilla-Campos
Patrick Pearce
Richard Dixon
Brent Mason

Call to Order

Chair Michael Cacciotti called the meeting to order at 8:03 a.m.

DISCUSSION ITEMS:

1. *Quarterly Report of Investments:* The Committee reviewed the quarterly investment report that was provided to the Board. By September 30, 2022, the South Coast AQMD's weighted average yield on total investments of \$1,215,245,409.44 from all sources was 1.92 percent. The allocation by investment type was 94 percent in the Los Angeles County Pooled Surplus Investment Fund and 6 percent in the State of California Local Agency Investment Fund (LAIF) and South Coast AQMD's

Special Purpose Investments. The one-year Treasury Bill rate as of September 30, 2022, was 3.87 percent.

2. Cash Flow Forecast: Sujata Jain, Chief Financial Officer/Deputy Executive Officer, reported on the cash flow for the current year and next three years. South Coast AQMD limits Special Purpose Investments to 75 percent of the minimum amount of funds available for investment during the Cash Flow Horizon. That limit, which includes all funds such as General, MSRC, Clean Fuels, AB 617 Incentive and Implementation, Carl Moyer, and Volkswagen, is \$325.8 million. Current Special Purpose Investments are below the maximum limit. Staff works with the Los Angeles County Treasurer for investments that will give additional interest yield.
3. Financial Market Update: Inflation and interest rate increases have been the highest in the last forty years. The consumer price index was around 8.2 percent in September 2022. The main drivers of the increase in inflation were food and energy cost. The unemployment rate is at 3.7 percent which is considered full employment and is contributing to a tight labor market. Consumer sentiment has fallen due to high inflation and is lower than it was after the financial crisis and the beginning of the pandemic. Home sales have slowed due to the high increase in mortgage interest rates. The stock market is down by 20.9 percent. GDP increased compared to the previous quarter due to an increase in exports. It is anticipated that the Federal Reserve will increase interest rates in the future, but it will depend on how the overall economy performs. The yield curve for long-term investments is lower than short term investments, which is typically an indicator of a recession in the next ten to twelve months.

Discussion: Chair Cacciotti suggested investing funds into high yield 6-month CDs, such as East West Bank's yielding approximately 3.88%. Ms. Jain will work with the LA County Treasurer for the best options to invest additional funds into short term securities.

Committee Member Brent Mason commented about LAIF, California Asset Management Program (CAMP), and/or other short term investment pools and the higher returns. Ms. Jain commented that the money currently in LAIF is controlled by LA County. Sarah Meachum of PFM Asset Management LLC commented that PFM manages and runs the CAMP program and explained that LA County has never decided to open a CAMP account. Ms. Jain also commented that LA County's pool rate compared to other counties is the highest and that she would reach out to LA County Treasurer regarding more special purpose investments for certain funds.

ACTION ITEM:

4. *Calendar Year 2023 Committee Meeting Dates:* For calendar year 2023, quarterly Investment Oversight Committee meeting dates are at 8:00 a.m. as follows: Friday, March 10; Friday, June 9; Friday, September 8; and Friday, December 8.

Moved by: Richard Dixon; Seconded by Brent Mason; unanimously approved.

Ayes: Padilla-Campos, Dixon, Mason, Pearce, Delgado, Cacciotti

Noes: None

Abstain: None

Absent: None

OTHER MATTERS:

5. **Other Business**

There was no other business to report.

6. **Public Comment Period**

There were no public comments to report.

7. **Next Meeting Date**

The next regular meeting of the Investment Oversight Committee is scheduled for March 10, 2023, at 8:00 a.m.

Adjournment

The meeting adjourned at 8:56 a.m.